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INFO RUEATRS/DEPT OF TREASURY WASHINGTON DC  
RUCPDO/DEPT OF COMMERCE WASHINGTON DC  
RUEHBUL/AMEMBASSY KABUL 8895  
RUEHLO/AMEMBASSY LONDON 8337  
RUEHNE/AMEMBASSY NEW DELHI 3555  
RUEHRO/AMEMBASSY ROME 3716  
RUEHKP/AMCONSUL KARACHI 0066  
RUEHLH/AMCONSUL LAHORE 5810  
RUEHPW/AMCONSUL PESHAWAR 4589  
RUEKJCS/SECDEF WASHINGTON DC  
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C O N F I D E N T I A L SECTION 01 OF 02 ISLAMABAD 002468

SIPDIS

E.O. 12958: DECL: 07/22/2018  
TAGS: [ECON](#) [ETRD](#) [EAGR](#) [EAID](#) [PGOV](#) [PREL](#) [PK](#)  
SUBJECT: CLARIFICATION ON POSSIBLE FUNDING SOURCES FOR ADDITIONAL FOOD  
AID TO PAKISTAN

REF: A. ISLAMABAD 2233  
[1](#)B. ISLAMABAD 2400

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Classified by Ambassador Anne Patterson, reasons 1.4 (b), (d)

[1](#)1. (C) Summary: In a response to a National Security Council request to provide clarity on proposed food assistance to Pakistan in advance of the Prime Minister's upcoming visit to Washington, the following cable outlines possible financial modalities of increased food assistance to Pakistan. This cable is a follow up to Islamabad 2233 (Ref A), which proposed six U.S. program options for food aid to Pakistan. This cable will attempt to clarify and distinguish between program options utilizing existing resources, funds available in fiscal year 2009 and additional resources. One new option, granting a GSM-102 line of credit to the Government of Pakistan (GOP) is also proposed. End Summary.

OPTION ONE: PROVIDE WHEAT TO THE GOP

[1](#)2. (C) The Government of Pakistan (GOP) has requested that the U.S., through the Department of Agriculture (USDA), establish a wheat monetization program under its Food for Progress Program. The program would supply wheat directly to the GOP which would in turn sell the wheat at a subsidized price through a nationwide network of utility stores. A USD 20 million monetization program would supply approximately 40,000 tons of wheat and feed approximately 400,000 people for one year. GOP local currency profits from wheat sales would be used to fund nationwide food and agriculture programs. Post understands that the monetization program request has been submitted to USDA and is under consideration. We believe we can resolve the phyto-sanitary provisions regarding commercial wheat sales to Pakistan.

OPTION TWO: PROVIDE EMERGENCY FUNDING TO THE WFP

[1](#)3. (C) The World Food Program (WFP) currently distributes food directly to 3.7 million Pakistanis. The U.S., through the U.S. Department of Agriculture's (USDA) McGovern-Dole Food for Education Program, directly supports WFP operations in Pakistan and has contributed USD 9.8 million in both cash and commodities this fiscal year. Embassy Islamabad's Foreign Agricultural

Service (FAS) has requested that, pending USDA's FY09 funding authority and the satisfactory resolution of the import permit for U.S. wheat, an additional USD 10 million be provided for FY09 to maintain existing McGovern-Dole programs.

OPTION THREE: PL-480 FUNDING FOR THE WFP

14. (C) The U.N., World Health Organization (WHO), Food and Agriculture Organization (FAO) and World Food Program (WFP) recently completed an inter-agency emergency food needs assessment mission to Pakistan, concluding that an additional 9.5 million people have become "severely food insecure" by rising agricultural prices. The team suggested providing emergency food aid to Pakistan. The GOP has formally requested that the U.S. provide additional resources to the WFP. Post has requested that USD 30 million in PL-480 funds be allocated for Pakistan for the purchase of cooking oil and wheat as well as direct support to WFP distribution activities (Ref B). USD 30 million in PL-480 funds would provide food assistance to roughly 600,000 people. Embassy notes that the recent supplemental provided USD 500 million in excess of the administration's request for PL-480 programs and suggests that these funds could be used in this strategically important country.

OPTION FOUR: REPROGRAM PIPELINE USAID FUNDS FOR THE WFP

15. (C) Embassy Islamabad has identified USD 8.5 million in the FY08 Economic Support Fund (ESF) budget that can be provided directly to the World Food Program (WFP) for food supplements for partial year school feeding programs. U.S.

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funds would supply supplemental food aid to 400,000 students. Emergency food activities would begin in late August or early September and coincide with the start of Ramadan, a time in which food shortages are often exacerbated. Supplemental commodities purchased with these funds would be clearly labeled as a gift from the U.S. Funds can be allocated immediately. So long as FY08 funds are replaced with FY09 supplemental funds, there will be no impact on existing programs.

OPTION FIVE: USE FY09 USAID SUPPLEMENTAL FUNDING

16. (C) Of the recently signed USD 150 million FY09 supplemental, USAID Pakistan would like to utilize a total of USD 58.5 million for food assistance and agricultural reform, specifically USD 8.5 million to backfill FY08 resources and USD 50 million for a new USAID agricultural productivity program. The FY09 supplemental will technically become available on October 1, 2008.

17. (C) While short term food assistance is justified on humanitarian grounds, the long term solution to Pakistan's food deficit is reform of the agricultural sector. Agricultural development remains a top Government of Pakistan (GOP) priority with additional funding allocated in Pakistan's FY08-09 federal budget. USD 50 million of FY09 supplemental funds would make an initial start in increasing agricultural productivity. Post intends this program, scheduled to begin in FY09, to utilize USD 100 million over the five-year 2009-2013 period. The remainder of the USD 100 million program would come from 2010 to 2013 economic support fund (ESF) one-year budgets.

ADDITIONAL OPTION: GSM-102

18. (C) The U.S. Department of Agriculture (USDA) is considering a GSM-102 line of export credit for the purchase of wheat. The line of credit would be USD

100 million at approximately three percent interest and limited to three years in duration. These funds are contingent on USDA's FY09 budget. It is Post's understanding that this request is currently under USDA consideration but Post does not know to what extent credit can be provided or what funding trade-offs vis-a-vis other countries would be required. This is not a major benefit nor a short-term solution for hunger but would help commercial sales of wheat to Pakistan.

PATTERSON